

P-421, 405, 407, 430, 426, 520, 427/CI-87-76 ORDER APPROVING
UNIFORM RATES PROPOSED BY U S WEST FOR LOCAL EXCHANGE SERVICE IN
TWIN CITIES METROPOLITAN CALLING AREA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Cynthia A. Kitlinski
Dee Knaak
Norma McKanna

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petitions
of Certain Subscribers in the
Exchanges of Zimmerman,
Prescott, Waconia, Belle Plaine,
North Branch, Lindstrom, New
Prague, Cambridge, Hudson,
Houlton, LeSueur, Cannon Falls,
Delano, Northfield, Buffalo, and
Watertown for Extended Area
Service to the Minneapolis/St.
Paul Metropolitan Calling Area

ISSUE DATE: September 30, 1992

DOCKET NO. P-421, 405, 407, 430,
426, 520, 427/CI-87-76

ORDER APPROVING UNIFORM RATES
PROPOSED BY U S WEST FOR LOCAL
EXCHANGE SERVICE IN TWIN CITIES
METROPOLITAN CALLING AREA

PROCEDURAL HISTORY

On December 20, 1991, the Commission issued an Order requiring U S West Communications Inc. (U S West or the Company) to replace its current tier rate design in the metropolitan calling area with a uniform rate for residential and business customers. The Order required the Company to calculate its new uniform rates on a revenue neutral basis and submit the results to the Commission within 90 days. Parties were required, within the same 90 day period, to submit comments regarding the form and scope of notice to be given before implementing the new rates. A 30 day period for reply comments was also established.

On January 8, 1992, the Office of the Attorney General, Residential Utilities Division (OAG-RUD), filed a petition for reconsideration of the December 20 Order. The Commission issued its ORDER DENYING RECONSIDERATION on May 21, 1992. The May 21 Order required U S West to file proposed uniform rates within 45 days and instructed all parties to file comments on the form and scope of customer notice the Company should provide in conjunction with the change in rates. The Order also provided a 30 day period for responsive comments.

On July 2, 1992, U S West filed proposed uniform rates as required under the Commission's May 21 Order. The Company's filing also addressed the issue of customer notice. The OAG-RUD and the Suburban Rate Authority (SRA) addressed the customer notice issue in their responsive comments filed on July 6 and July 7 respectively. The Department had addressed the notice issue previously in its March 19, 1992 comments.

On July 30, 1992, U S West filed proposed uniform rates for stand-by lines. The Company had inadvertently omitted these rates from its July 2, 1992 filing. On this same date, the Department filed comments supporting U S West's proposed uniform rates.

On August 6, 1992, the SRA submitted comments opposing U S West's proposed rates for failure to maintain the 3 to 1 ratio between business and residential rates previously required by the Commission. The SRA's comments recommended an alternative method of calculating uniform rates that would maintain the proper ratio. The SRA clarified its proposed method in a letter filed August 14, 1992.

On September 2, 1992, U S West filed with the Commission an agreement between the Company, the OAG-RUD, the Department and the SRA regarding uniform rates and customer notice. On September 11, 1992, the Company submitted a revised filing that included authorized metropolitan EAS rate additives inadvertently omitted from the September 2, 1992 filing. No party objected to the Company's revision.

This matter came before the Commission on September 29, 1992.

FINDINGS AND CONCLUSIONS

Tier System

The current tier system creates a substantial disparity between the rates of customers in the inner-most tiers and their counterparts in the outer-most tiers. This disparity was initially justified by the higher cost of providing service to subscribers further from the center of the metropolitan area. The higher cost reflected the fact that the cost of transmitting an interoffice call within the metropolitan area was distance sensitive. This meant that the cost to U S West of transporting an interoffice call increased with the distance between the caller and the called party. The introduction of fiber optic cable and computerized switching technology, however, have eliminated distance as a significant factor in the cost of transmitting calls. Therefore, as the Commission found in its previous Orders in this proceeding, the tier rate design is no longer justified.

Proposed Rates

The Commission's December 20, 1991 Order required U S West to calculate new uniform rates for the metropolitan calling area on a revenue neutral basis. The Commission reaffirmed that decision in its May 21, 1992 Order on the OAG-RUD's petition for reconsideration. The rates filed with the Commission as part of an agreement among the parties are consistent with these Commission Orders. The rates are uniform throughout the metropolitan calling area and revenue neutral, increasing slightly for subscribers in Tier I and decreasing for customers in the other three tiers.

The proposed rate for one-party residential customers is \$14.59 per month.¹ This represents a monthly increase of 42 cents per line for customers in Tier I and a monthly decrease ranging from 3 cents to \$3.31 for customers in the remaining three tiers. The proposed rate for one-party businesses is \$43.78 per month.² This constitutes a monthly increase of \$1.27 for Tier I businesses and a monthly decrease ranging from 8 cents to \$9.93 for businesses in the other three tiers. These rate changes are consistent with the Commission's previous findings that the reduction in the rates of outer-tier customers would far exceed the increase in the rates of customers in Tier I. The Commission concludes that the proposed uniform rates, including the proposed stand-by rates, are equitable and reasonable. The Commission also finds that, consistent with the previous Orders in this proceeding, the proposed rate changes will not affect the Company's revenues.

Notice

The Commission's December 20, 1991 and May 21, 1992 Orders required the Company, SRA, Department and OAG-RUD to address the issue of customer notice in their comments. All the parties agree that no further notice is required as a condition precedent to implementing the proposed rates. The Commission agrees and finds that the rates should be implemented expeditiously without soliciting further public comment. The proposed changes are based on a long process of careful consideration; no further procedural steps are necessary. The Company, however, should inform customers of the change when the new rates are implemented. The Company should include this information in the first customer bill reflecting the new rates.

¹ This composite rate consists of the \$14.58 main line rate and the 1 cent EAS charge.

² This composite rate consists of the \$43.75 main line rate and the 3 cent EAS charge.

ORDER

1. The new rates proposed by U S West for the metropolitan calling area, including the proposed uniform Stand-by rates, are approved and shall be effective November 1, 1992.
2. All issues regarding stand-by line service that are not related to rate levels shall be deferred to Docket No. P-421/EM-92-552.
3. The Company shall include the attached customer notice with the first bill reflecting the rate change.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)